

BOND MARKET REVIEW – SEPTEMBER 2021

General Market Comment

Due to the severe lockdown the market was very quiet in September. Except for the illiquid 20 and 30yr bonds, screen rates came up by 10-15bps in the 1-5yr segment and 6-9bps in 7-15yrs. The 1, 5, 10 and 15yr mid-rates are now 0.46%, 0.93%, 2.12% and 2.39%. The 1month interbank rate at 1.20% was slightly up in September. With most manufacturing and business limping due to the shut down the MoM CPI came down 0.6% and YoY was recorded at 2.06%. To put things into perspective 5yr rate/inflation for Malaysia is 2.95/2.0%, Thailand's 1.15/1.68, Indonesia's 5.11/1.6, South Korea's 2.09/2.5, India 5.71/5.3, Philippine's 3.38/4.8 and the US 0.998/5.3. Compared to 1yr ago the 5yr rates in Thailand, Malaysia, Philippines, India and the US have risen some 25bps, 83bps, 77bps, 50bps and 64bps respectively. Vietnams 5yr rate on the other hand has fallen some 25bps. Thus, Vietnam's 5-year rate is exceptionally low and most likely there is a bubble in the shorter tenures. As the government only issues 5yr or longer tenures, a mere 13% of total outstanding VGB's are 3yr or less, and which has created a huge supply/demand gap. Thus, it may take time before rates in the shorter maturities rise even if interbank rates come up. Given the expected future inflation path one may argue that the 20 and 30yr tenures have value although there is no cushion for illiquidity, mishaps and currency volatility. The currency is for now in good shape and most likely will continue to enjoy support from external balances. State Treasury keeps large amounts of surplus cash with the banks and short term there is limited pressure on State Treasury to issue VGB's. Still, there are signs of market fatigue, especially with global rates coming up. When the market has tried to push up rates State Treasury has opted for letting the auctions fail. It shows that the VGB market is very much a game with the banks on one side and State Treasury/MOF on the other. In the corporate bond market, MOF has expressed concern over the large amounts issued in the real-estate sector as private placements. In theory, only professional investors can buy private placements. But there are loopholes in the regulations, and the retail public has continued to buy non-listed bonds.

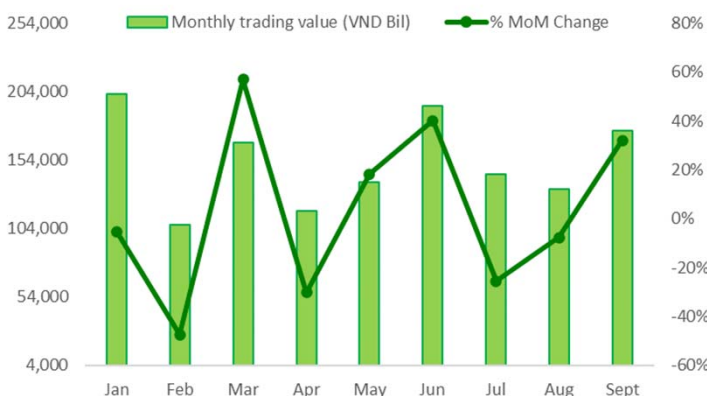
Vietnam Government Bond Market – Sept 2021

In September, the State Treasury held 20 auctions of VGB with a total called value of VND48,000 billion, total bidding value of VND91,414 billion and issued VND38,458 billion, corresponding to a winning rate of 80.1% (in August was 76.7%). To the end of September, VST completed 85.6% of 3Q primary issuance plan and 69.8% of the whole year plan. Bonds with tenors of 15 and 10 years are most liquid. Value of trading in secondary market increase significantly in comparison to August (value of outright transaction was VND175,232 billion in Sept i.e +32% MoM and repo value increased 38% MoM). Daily outright average trading value was VND8762 billion (+45% MoM). Yields in secondary market in Sept was higher cross yield curve in comparison to August. The yields at end of Sept 2021 were 52bp to 79bp lower than the corresponding of September 2020 for bonds with tenors from 5 to 30 years.

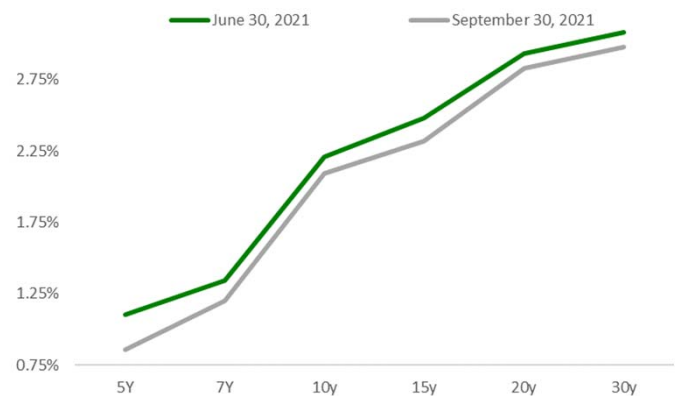
VIETNAM GOVERNMENT BOND PRIMARY ISSUANCE – SEPT AND ACCUMULATION 2021

Tenor	Issued in		Issues plan 3Q 2021 (VND Bil)	Accumulated to Sept 2021 (VND Bil)	% complete 3Q 2021 plan	2021 Plan (VND Bil)	% complete 2021 plan
	September 2021 (VND Bil)	Issued in Q3 2021 (VND Bil)					
5 Y	1616	6079	10000	19848	60.8%	20,000	99.2%
7 Y	1000	2700	8000	5231	33.8%	15,000	34.9%
10 Y	12180	34292	40000	109434	85.7%	120,000	91.2%
15 Y	15624	40996	50000	79649	82.0%	135,000	59.0%
20 Y	5425	7065	5000	10505	141.3%	30,000	35.0%
30 Y	2613	11613	7000	19571	165.9%	30,000	65.2%
	38458	102745	120000	244238	85.6%	350,000	69.8%

VGB MONTHLY OUTRIGHT TRADING – 2021



VGB SECONDARY MARKET YIELD CURVE – SEPT 2021

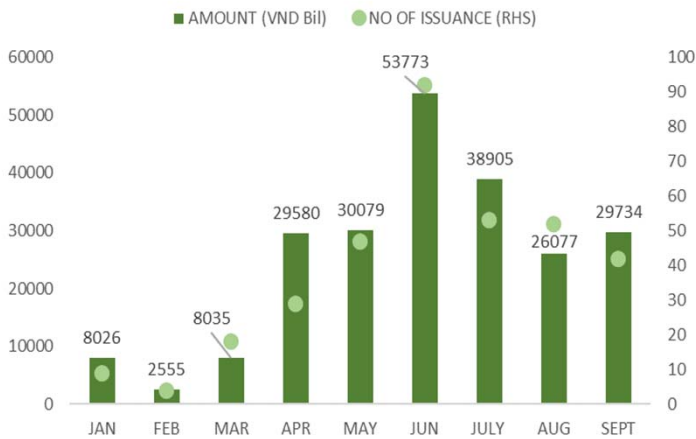


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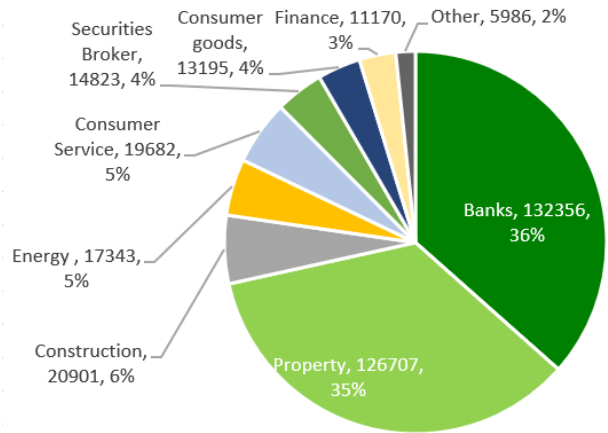
Vietnam Corporate Bond Market - Sept and 9 months 2021

In September there were 42 issuance of CB (all private placements) with issued amount of VND29,743 billions. Accumulated for 9 months of 2021, a total of 596 domestic corporate private placement bonds were issued with a total value of VND329.8 trillion. Only 14 bonds were publicly issued (VND11,584 billion). In Sept, bonds were issued mainly in tenors 3 and 5 years, 8 years bonds also issued with a big amount in Sept resulted from banks' issuances. Bank and property sectors were major issuers in Sept (same to prior months in 2021) and banks issued 47% (in August 41.6%) of total in the month. Corporate bond yields were almost unchanged in Sept in comparison to in August.

CORPORATE BOND – PRIMARY ISSUANCE JAN TO SEPT 2021



CORPORATE BOND PRIMARY ISSUANCE BY INDUSTRY (VND Bil) AND WEIGHT – 2021 ACCUMULATED TO SEPT



SOURCE: HNX/VBMA

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